



INLAND REVENUE
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IRAS e-Tax Guide

Tax Treatment on Donations with Benefits
(Donations made on or after 19 March 2021)

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1 Aim

- 1.1 This e-Tax Guide sets out the concessionary tax treatment applicable for cash donations with certain types of benefits received in return, where the donations are made on or after 19 March 2021. This guide is only applicable for donations, a voluntary gift where the donor's contribution is not motivated by a benefit-in-return.
- 1.2 This e-Tax Guide will be relevant to you if you are an Institution of a Public Character (IPC) or a registered charity¹.

2 At a Glance

- 2.1 When a donor receives a benefit in return for the donation made to an IPC, a 2.5 times tax deduction is granted only on the difference between the donation and the value of benefit and GST is to be accounted for by the recipient of donation. However, IRAS applies an administrative concession to certain benefits listed in paragraph 6.4 that are given out in connection with a fundraising activity and are deemed to have no commercial value. As a result, the donor receives a 2.5 times tax deduction on the full amount of his donation and the recipient of the donation does not have to account for GST on the benefit given.
- 2.2 This list of benefits in paragraph 6.4 is exhaustive, the concession does not apply to benefits outside of this list.
- 2.3 Paragraph 6.6 lays out some common benefits that are not eligible for the concessionary tax treatment.
- 2.4 An outright sale of goods and services is not regarded as a bona fide donation. Consequently, the 2.5 times tax deduction would not be allowed for such transactions for income tax purposes. Similarly, GST is to be accounted on the total consideration received for the sale of goods or services.
- 2.5 IPCs are to note the above tax treatment in conducting their fundraising activities.

3 Glossary

3.1 Institution of a Public Character (IPC)

A registered charity or an exempt charity in Singapore —

- (a) that is approved as an institution of a public character under the Charities Act on the application of the charity; or
- (b) which is deemed as an institution of a public character under any written law.

3.2 Registered charity

¹ This e-Tax Guide also applies to registered charities which are GST-registered. While tax deduction is only given to IPCs, the concessionary GST treatment applies to both IPCs and registered charities that are GST-registered.

A charity registered with the Commissioner of Charities under section 5 of the Charities Act.

3.3 Recipient of donation

Refers to both IPCs and registered charities.

4 Background

- 4.1 IPCs and registered charities may organise different types of fundraising activities. Examples include charity golf games, gala dinners, or charity shows. Typically, donors who made donations of certain amounts will be entitled to participate in these activities, and may also receive other benefits such as souvenirs, meals or entertainment in the course of these events.

5 Current Income Tax and GST Rules

- 5.1 Under section 37(3) of the Income Tax Act, a tax deduction at 2.5 times of the donation amount is granted in respect of cash donations to IPCs. However, where the donor receives a benefit in return for the donation made, the tax deduction is only granted on the difference between the donation and the value of the benefit.
- 5.2 Similarly, for GST purpose, a donation is not subject to GST where the recipient of donation does not provide any benefit to the donor in return for the donation. Where the recipient of donation provides some benefits to the donor in return for a donation, all or part of the donation is considered as payment in return for goods or services. GST is to be accounted by the recipient of donation on such consideration if the recipient of donation is GST-registered.

6 Concessionary Tax Treatment – Donations With Certain Benefits

- 6.1 To support philanthropic giving and to ease compliance, IRAS has been applying an administrative concession to donations with benefits since 2006. Under the concession, IRAS deems certain donations with benefits received in return as pure donations, provided the benefits given fall within a specified list of benefits. Such benefits specified in the list were treated as having no commercial value. The donor will enjoy tax deduction on the full amount of cash donations and no GST needs to be accounted by the recipient either. IRAS has reviewed this administrative concession and is updating the concessionary tax treatment with effect from 19 March 2021 after consultation with IPCs, sector administrators and the Ministry of Culture, Community & Youth (MCCY).
- 6.2 As before, to qualify for the concessionary tax treatment, donations with benefits given in return will be regarded as pure donations if the benefits are treated as having no commercial value. To be treated as having no commercial value, the benefits must be:

- (a) given out in connection with a fundraising activity; and
- (b) fall within the list of benefits specified in paragraph 6.4.

6.3 Where the benefit given falls outside the specified list, the tax deduction will be granted after netting off the market value of the benefits. GST will also have to be accounted on the market value of the benefits.

6.4 Benefits that qualify for concession

The table below lists the common benefits given in return for donations, wherein IRAS will deem the donations as pure donations for which the concessionary tax treatment is applicable.

Types of Benefits	Whether Benefit is Considered to have a Commercial Value	Income Tax Treatment	GST Treatment
(a) Charity gala dinner (including incidental benefits*)	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
(b) Charity show (including incidental benefits*)	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
(c) Golf tournament (including incidental benefits*)	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.
(d) Not-intended-for-resale [^] complimentary tickets (e.g., Singapore Zoo, movies, seminars, performances, exhibitions)	No	Tax deduction on the full amount donated is allowed to the donor.	No GST needs to be accounted by the recipient of donation.

Tax Treatment on Donations with Benefits

(e) Souvenir or gift (e.g. plaques, commemorative books)	No, except where such souvenir or gift is sold commercially. The souvenir or gift will <u>not</u> be considered as sold commercially if it: (a) is specially made for a particular fund raising event and not available for sale in the market; (b) bears the logo of the recipient of the donation or; (c) carries the fundraising message.	Tax deduction on the full amount donated is allowed to the donor. Where the souvenirs or gifts are commercially available, tax deduction on the difference between the amount donated and the price of the souvenir or gift is allowed to the donor.	No GST needs to be accounted by the recipient of donation. Where the souvenirs or gifts are commercially available, GST is to be accounted by the recipient of donation on the price of the souvenir or gift.
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*Incidental benefits refer to benefits that are:

- (i) given as part and parcel of a fundraising event; and
- (ii) are not intended for resale[^]

[^]Not-intended-for-resale refers to items that fulfil any of the following conditions:

- a) There is an indication on the item that it is “not-for-sale”
- b) The item is not in a form or packaging that is typically sold commercially
- c) IPC informed the donor that the item is not intended for resale.

Examples of incidental benefits include a goodie bag, refreshments, meals, lucky draw, carpark coupon, live entertainment, acknowledgements, etc. Where a lucky draw is held as part of a larger fundraising event specified in paragraph 6.4, the value of the top prize has to be at or below \$2,000 in order to be eligible for the administrative concession. Refer to paragraph 6.5 for detailed explanation of tax treatment for lucky draws and 6.7 for what constitutes an acknowledgement.

6.5 Lucky Draws

6.5.1 Before 19 March 2021, where a lucky draw is held as part of a fundraising event or standalone lucky draw, no tax deduction would be allowed to the donor in respect of the donation and GST had to be accounted for by the recipient of donation on the gross amount of donation received. This was in view that some IPCs may hold lucky draws with very generous prizes, such as substantial amount of cash. However, IRAS has received feedback that the more common practice is for IPCs or registered charities to organise small scale lucky draws with modest prizes to entertain donors as part of a larger fundraising event.

a) Lucky draw held as part of a fundraising event listed in (a) to (c) of paragraph 6.4

6.5.2 From 19 March 2021, IRAS will extend the current concessionary treatment to include lucky draws that are incidental to fundraising events listed under (a) to (c) of paragraph 6.4 and deem such lucky draws as having no commercial value as long as the value of the top prize does not exceed \$2,000.

6.5.3 Where the top lucky draw prize is at or under the \$2,000 threshold **and** the fundraising event held is one of those specified in (a) to (c) of paragraph 6.4, the donor will enjoy tax deduction on the full donation and no GST needs to be accounted on the lucky draw. However, there may be a deemed supply of goods given free as lucky draw prizes and the IPC or registered charity will need to account GST on the market value of the prizes given if the following are met²:

- i) The cost of the gift is more than \$200 (exclusive of GST amount); and
- ii) Input tax has been claimed on the purchase or import of the gifts.

6.5.4 Conversely, if the value of the top prize exceeds \$2,000, the administrative concession will not apply. As a result,

- i) No tax deduction of any amount donated would be allowed to the donor.
- ii) The recipient of donations will need to account for GST on the market value of all lucky draw prizes³. For GST purposes, where the top prize exceeds \$2,000, the IPC or registered charity is treated as providing a service consisting of the provision of a lucky draw in return of a consideration. The IPC will be required to account GST on value of the lucky draw service and this is taken to be the market value of all lucky draw prizes⁴. The main fundraising event will continue to qualify for the GST concessionary treatment if it falls into the categories listed in paragraph 6.4, i.e., the recipient will not need to account GST on the main event.

² Provided for under paragraph 5(2) of the second schedule of the GST Act. For more information, please refer to IRAS website: www.iras.gov.sg > GST > GST-registered-businesses > Working-out-your-taxes > Common-scenarios > Customer > Gifts-and-Samples

³ The deeming rules for GST under Paragraph 6.5.3 will not apply if the value of the top prize exceeds \$2,000.

⁴ The market value of all lucky draw prizes is used as a proxy for value of the lucky draw service provided by the IPC or registered charity. Therefore, the recipient of the donations will have to account for GST on the market value of all lucky draw prizes, regardless of the nature of the goods or services given out. Hence, GST will need to be accounted on the value of a residential property or cash given out as lucky draw prizes.

6.5.5 For fundraising events that falling outside categories (a) to (c) listed in paragraph 6.4, the concessionary treatment will not apply. Under such a scenario, no income tax deduction will be given on the donation and GST has to be accounted for on the market value on all benefits given in the fundraising event, including the lucky draw prizes, even if the value of the top prize does not exceed \$2,000.

6.5.6 For more information on the tax treatment of donations where a lucky draw is held as part of a fundraising event, please refer to the table in Annex A.

b) Lucky draw not held as part of a fundraising event (Standalone lucky draws)

6.5.7 Contributions that give donors a right to participate in lucky draws held on a standalone basis (such as charity donation draws, the sale of donation draw tickets is considered as an outright sale and hence concessionary treatment is not applicable) and which are not incidental to any broader fundraising event are regarded as payments made in return for the chance to participate and win prizes in the lucky draws. As they are not pure donations, no tax deduction will be allowed on any amount donated. For GST purposes, GST is to be accounted for on the gross donations received. Where the payouts are in the form of cash, the recipient may account for GST on the gross donations received less cash payout.

6.6 Benefits that do not qualify for concession

6.6.1 For all other benefits given in return for donation, the current tax treatment of allowing tax deduction on the difference between the donation and value of the benefits given as well as imposing GST on the Open Market Value of the benefits accruing to the donor continues to be applicable. In particular, outright sales of goods and services would not be regarded as a bona fide donation, hence no tax deduction would be allowed. Similarly, GST is to be accounted on the total consideration received for the sale of goods or services⁵.

⁵ For example, an IPC should account for GST on \$30 for a box of cookies it sold at a price of \$30.

6.6.2 The table below lists some of these benefits given in return for donations and illustrates the current tax treatment for the circumstances.

Types of Benefits	Whether Benefit is Considered to have a Commercial Value	Income Tax Treatment	GST Treatment
(f) Advertising Space (separately priced with no donation component)	Yes	Not a bona fide donation. No tax deduction on any amount contributed is allowed to the donor	GST is to be accounted by the recipient of the contribution on the price of the advertising space.
(g) Advertising Space (made together with donations)^ ^refer to paragraph 6.7 for exceptions	Yes	Tax deduction on the difference between the amount donated and the price of the advertising space is allowed to the donor.	GST is to be accounted by the recipient of donation on the price of the advertising space.
(h) Goods offered at Charity auction	Yes	Tax deduction on the difference between the amount donated and the market value of the item being auctioned is allowed to the donor.	GST is to be accounted by the recipient of donation on the market value of the auctioned item.
(i) Sales of artefact (e.g. paintings)	Yes	Tax deduction on the difference between the amount donated and the market value of the artefact is allowed to the donor.	GST is to be accounted by the recipient of donation on the market value of the artefact.

6.7 Acknowledgement of donation

6.7.1 An IPC or registered charity that merely acknowledges a donor for its donations will not be considered as having conferred a benefit to the donor. IRAS will consider an acknowledgement as such if **all** of the following conditions are satisfied:

- The acknowledgement is a display of the donor's logo and/or name on the IPCs' or charities' collaterals;
- Accompanied with the words such as "with compliments from"/ "in acknowledgement of"/ "special thanks to"/ "with appreciation to", or the equivalent, regardless of the size of the display;
- There are no comparative or qualitative descriptions, slogans, locations, contact details, or a description (including displays or visual depictions) of donor's products or services; and
- There are no links or tags to donor's website and social media platform e.g. Instagram/ Facebook/ Twitter/ LinkedIn.

6.7.2 The above are for distinguishing acknowledgement from advertisement and are applicable to donations only. IRAS reserves the right of determination based on the facts and circumstances of the case.

7 Valuation of benefits

7.1 Where necessary, the market value/ price of the benefits may be determined using the following methods, in the following order of priority:

- a. Retail price of the benefit
- b. Retail price of a comparable benefit
- c. Opinion of experts, e.g. via a valuation report
- d. Cost to the IPC/registered charity for providing the benefit e.g. if the benefit was a gift of goods handmade by volunteers, these goods can be valued based on the cost incurred in the course of production

8 Enquiries

8.1 For enquiries or clarification on this e-Tax Guide, please contact:

For Income Tax Treatment

Tel: 6351 3763

Email: charities@iras.gov.sg

For GST Treatment

Tel: 1800 356 8633

Email: gst@iras.gov.sg

Annex A – Table Illustrating Tax Treatment with Lucky Draw held as part of a fundraising event

	Value of the lucky draw top prize does not exceed \$2,000		Value of the lucky draw top prize exceeds \$2,000	
Scenario	Income tax treatment	GST treatment	Income tax treatment	GST treatment
Where fundraising event held is one of those specified in (a) to (c) of paragraph 6.4	Concessionary tax treatment applies Tax deduction given on full amount of donation.	No GST is to be accounted for on the full donations.	No tax deduction will be given on any amount of donation.	GST has to be accounted on the market value of all lucky draw prizes ⁶ . No GST needs to be accounted for on other benefits of the fundraising event.
Where fundraising event held is NOT one of those specified in (a) to (c) of paragraph 6.4 (i.e. concession does not apply).	No tax deduction will be given on any amount of donation.	GST to be accounted for on the market value of all benefits given, including lucky draw prizes ⁷ .	No tax deduction will be given on any amount of donation.	GST to be accounted for on the market value of all benefits given, including lucky draw prizes ⁷ .

⁶ Refer to Paragraph 6.5.4

⁷ Refer to Paragraph 6.5.5.

Annex B – Frequently Asked Questions

Scenarios

- 1. The IPC gave out items that were provided by the sponsor so the IPC did not incur any cost in procuring the items. Does this still count as a benefit?**

Yes, the items may still have commercial value regardless of its cost to IPCs. The same applies to lucky draw prizes – even though the top prize may be given to IPC for free, the IPC should still check whether the market value of the top prize exceeds the \$2,000 threshold in order to determine the corresponding tax treatment.

- 2. Complimentary tickets are given to donors to attend a performance by a musical group. Tickets are marked as “not-for-sale”. Does this fall under the concession?**

Yes, since there is an indication on the ticket that it is “not-for-sale”, this benefit falls under the category of “Not-intended-for-resale complimentary tickets” in paragraph 6.4.

- 3. If the benefit given does not fall into paragraph 6.4 and hence does not qualify for concessionary treatment, and the donor transfers the benefit he has received from the IPC to other people, e.g. donor onward gives the restaurant coupons to his wife, should the value of the restaurant coupons still be netted off from the amount he donated?**

Yes, the ultimate user of the benefits is irrelevant as the donor was the one who made the donation and was entitled to the benefits. Hence only the donor is eligible for the tax deduction and value of the restaurant coupons will be netted off against the amount of his donation even though the donor has chosen to transfer the benefit to a third party.

- 4. An IPC gave out commemorative books (e.g. books written and donated by a famous person) as tokens of appreciation to donors who made donations to them. Will the donors be eligible for tax deduction if the book bears the IPC’s logo?**

Under paragraph 6.4, as the commemorative book bears the IPC’s logo and is presented as a token of appreciation to the donor, it will be considered to have no commercial value. Hence the concessionary tax treatment will apply.

- 5. Does naming an event or a building after a donor qualify for the concessionary tax treatment?**

Naming donation is given full tax deduction with effect from 1 Jan 2005. Please refer to IRAS’ website for more details. For GST purposes, a donor’s contribution would attract GST if it is made on certain conditions based on written or verbal agreements, and these conditions confer direct benefits on the donor. If you provide naming benefits in return for the donor’s contribution under such an agreement, you are regarded as providing direct benefits to the donor and GST is applicable.

- 6. An IPC rented a space in the mall for an event. Instead of charging the IPC for the use of the space, the mall decides to waive the rent. Can the mall claim the waiver of rent as a form of donation and claim tax deduction on the amount donated?**

No, waiver of rent does not constitute a tax-deductible donation as there was no donation of cash to the IPC.

- 7. A company organises a 10km run where full proceeds collected is donated to a local IPC. Can the participants of the run claim tax deduction on their registration fees?**

No, registration fees do not constitute a tax-deductible donation. Hence, participants who paid for the registration fees to take part in the run cannot claim tax deduction. Full tax deduction will, however, be accorded to the company which donates the registration fees received to the IPC. No GST is to be accounted since no benefit is given by the IPC to the company.

- 8. When the donor donates services e.g. providing a food counter at a fundraising event, will the donor receive any tax deduction for this?**

Donation of service is not eligible for tax deduction, except under the Business and IPC Partnership Scheme (BIPS) where businesses that send their employees to volunteer and provide services at IPCs can claim 2.5 times tax deduction on qualifying expenditures. More details on BIPS can be found on IRAS' website.

Application of the concession under paragraph 6.4

- 9. An IPC will be organising a fundraising event that consists of the screening of a movie on a specific day/ time and at a specific venue. Besides the not-intended-for-resale complimentary movie ticket, donor will also get a complimentary combo meal. Do these benefits to the donors qualify for the concessionary tax treatment?**

Yes, since the complimentary combo meal is incidental to the main event, which is the charity movie screening, the concessionary tax treatment will apply.

- 10. An IPC is organising a charity dinner. Each donor will receive a goodie bag and is automatically enrolled in a lucky draw where the top prize is worth \$1,800. In addition, the donor will receive a not-intended-for-resale complimentary ticket to a place of interest. Do all the benefits given to the donors qualify for the concessionary tax treatment?**

Yes, since the top prize of the lucky draw is below the threshold of \$2,000 and the charity dinner is one of the fundraising events specified in (a) to (c) of paragraph 6.4, with the not-intended-for-resale complimentary ticket as an incidental benefit to the dinner, all the benefits qualify for the concessionary tax treatment.

- 11. An IPC organises a golf tournament as part of its fundraising efforts. Donors who participate in the golf tournament will enjoy complimentary meals and receive a goodie bag which consists of souvenirs such as golf cap and golf ball. Participants will also receive complimentary parking tickets that are paid for by the IPC. Do the benefits given to the donors qualify for the concessionary tax treatment?**

Yes, the complimentary meals, goodie bag and parking ticket given to donors will be regarded as incidental to the golf tournament which is a benefit specified in paragraph 6.4. Hence, the concessionary tax treatment will apply.

- 12. Instead of organising a fundraising event, an IPC decides to acknowledge their donors by giving them a not-intended-for-resale complimentary ticket to Singapore Bird Park for donations above \$500. Are the donors eligible for tax deduction?**

Yes, since not-intended-for-resale complimentary ticket to places of interest is one of the benefits listed under paragraph 6.4, the concessionary tax treatment will apply and therefore, the donors are eligible for full tax deduction on their donation.

Valuation

- 13. How are paintings valued when they are given to donors, especially those of artists who are not well known?**

With reference to paragraph 7.1, if method a. retail price of the painting is not available, then the value of the painting may be determined using the following methods, in the following order of priority:

- b. Retail price of a comparable painting
- c. Opinion of expert
- d. Cost to the IPC/registered charity for providing the painting

- 14. A donor won a limited-edition watch as the top prize at a lucky draw event. The watch is priceless as there are only 5 pieces available worldwide and is not commercially available for sale. Is the watch still subject to the \$2,000 cap since it comes at no cost to the IPC?**

Yes, the concessionary tax treatment will only apply if the value of the watch is \$2,000 and below **and** the lucky draw was held as part of a fundraising event specified in paragraph 6.4. As the market value of the watch is not available, the recipient of donation can engage a professional dealer to value the watch.

15. In a charity auction where the items are sponsored and come at no cost to the IPC (e.g. wine, limited edition watch), can full tax deduction be granted to the donors?

No, in the case of charity auction, tax deduction allowed to the donors is strictly on the difference between the amount donated and the market value of the items. This is regardless of whether the item is purchased by the IPC or sponsored. GST is to be accounted on the market value of the items that are auctioned.

Acknowledgement of donation

16. To acknowledge the donors for their contribution, an IPC intends to print the company logo of the corporate donors in a big banner at the charity event. Will this be seen as a form of advertisement?

The printing of the company logo will not be deemed as a form of advertisement so long as the acknowledgement is limited to a display of the donors' logo and name on IPC's collaterals. This should also be accompanied with the words, "with compliments from"/ "in acknowledgement of"/ "special thanks to"/ "in appreciation of", or the equivalent, regardless of the size of the display. For more information, please refer to paragraph 6.7.

17. If the acknowledgement is done via various modes (e.g. marketing collaterals, websites, social media channels), will this be seen as acknowledgement?

If the acknowledgement satisfies the criteria under paragraph 6.7, it will be deemed as a form of acknowledgement, regardless of the size and mode of display.

18. Where the acknowledgement is in the form of featuring of donor's logo/ name on the IPC's collaterals and providing a link to the donor's website, can this be considered as acknowledgement?

No, acknowledgements in the form of providing information on the donors' products/ services offered by the donors or providing a link to the donors' website would constitute a form of advertisement. Please refer to paragraph 6.7 for what can be considered as acknowledgement.